



STATE OF WASHINGTON

OFFICE OF THE FORECAST COUNCIL

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January 12, 2004

TO: Senator Lisa Brown, Chair
Representative Jack Cairnes
Representative Jim McIntire
Marty Brown, OFM, Director
Will Rice, DOR, Acting Director

FROM: Chang Mook Sohn, Executive Director
Office of the Forecast Council

SUBJECT: JANUARY 10, 2004 REVENUE COLLECTION REPORT

General Fund-State (GFS) collections totaled \$971.6 million in the December 11-January 10, 2004 collection period. Receipts were \$3.5 million (0.4 percent) less than expected for the month. Revenue Act (retail sales, business & occupation, use and public utility taxes) receipts, real estate excise tax payments and brokered natural gas payments were below the estimate for the month. Estate tax and cigarette tax payments were higher than expected. This month's shortfall increases the cumulative shortfall since the November forecast to \$19.7 million (0.9 percent). Although collections are less than expected for the last two months, the forecast is still pretty much on track. The shortfall is relatively small and the economy continues to improve.

The U.S. unemployment rate fell to 5.7 percent of the labor force in December from 5.9 percent in November and average weekly earnings rose for the third straight month. However, the economy added only a thousand jobs in December. This was smaller than expected and revisions lowered the employment gains in October and November. Still, payroll employment has now increased for five straight months after six months of decline. The weak jobs numbers and a little less revenue than expected suggests that while the economy continues to be headed in the right direction, at this point the strength of the recovery may be a little weaker than assumed in November.

Revenue Act receipts were virtually right on the estimate for the month, with collections only \$579,000 (0.1 percent) less than expected, however, due to last month's shortfall Revenue Act receipts are \$22.4 million below the forecast cumulatively since the November forecast. Collections this period primarily reflect November 2003 business activity of monthly taxpayers. Revenue Act collections this month were 5.1 percent more than a year-ago adjusting for legislation and special factors. This month's growth was much better than last month's 1.0 percent increase and aside from the 6.3 percent increase two months ago, it was the best monthly increase since August 2002. For the last three months combined, Revenue Act growth averaged 4.2 percent and collections are up 3.6 percent for the fiscal year-to-date.

Preliminary data on tax payments of 9,400 large taxpayers who filed electronically for the current month again show retailers doing better than non-retailers. Total tax payments of business in the retail trade sector were 6.5 percent above the year-ago level, with all but one sector (gasoline stations, -5.2 percent) reporting increases. Building materials/garden equipment retailers reported the largest gain, 11.8 percent. Other retailing sectors with strong increases were apparel and accessory stores (+9.4 percent), general merchandise stores (9.2 percent), furniture and home furnishing retailers (+7.1 percent) and the motor vehicle sector (+7.0 percent). Outside retailing, activity was mixed. In total, tax payments by non retailers increased \$8.0 million, (3.0 percent). The manufacturing sector accounted for more than the total gain, with an \$8.7 million (27.5 percent) increase in tax payments. Other non retailing sectors with gains include: utilities (+10.1 percent), information (+2.5 percent), arts entertainment and recreation (+11.0 percent) and accommodations and food service (+5.7 percent). Non retail trade sectors reporting declines include: finance and insurance (-17.0 percent), construction (-1.5 percent), wholesale trade (-2.0 percent) and professional and scientific services (-8.3 percent).

Other General Fund taxes collected by the Department of Revenue were \$3.0 million below the estimate for the month. Stronger than expected estate, and cigarette tax payments were not strong enough to offset weaker than expected real estate excise tax, and brokered natural gas tax payments (included in the "other" category in Table 1). While Non Revenue Act taxes were less than expected for the month, they remain \$2.7 million higher than expected for the two months since the November forecast.

Real estate activity (closings in November which reflect tax payments to the state in December) was 1.2 percent below the year-ago level statewide. This was its first decline in fifteen months. Last month activity increased 34.2 percent. Prior to this month, real estate excise activity had grown more than 20 percent for the last seven months and twelve of the past thirteen months. In November the number of transactions fell 4.4 percent, while the average value per transaction increased 3.4 percent. The forecast expected real estate activity to weaken in fiscal 2004, however, the decline in activity this month was a little sooner and more abrupt than expected.

Department of Licensing General Fund-State collections, which primarily reflect various license fees, were \$63,000 above the estimate for the month in November. Cumulative, Department of licensing GFS revenue is \$9,000 less than expected

The attached Table 1 provides a comparison of collections with the November 2003 forecast for the December 11 - January 10, 2004 collection period and cumulatively since the November 2003 forecast. Table 2 compares revised collection figures to the preliminary numbers reported in last month's collection report.

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Attachments

TABLE 1
Revenue Collection Report
January 10, 2004 Collections Compared to the November 2003 Forecast
Thousands of Dollars

<u>Period/Source</u>	<u>Estimate*</u>	<u>Actual</u>	<u>Amount</u>	<u>Difference</u> <u>Percent</u>
December 11 - January 10, 2004				
Department of Revenue-Total	\$974,555	\$970,962	(\$3,594)	-0.4%
Revenue Act** (1)	661,681	661,102	(579)	-0.1%
Non-Revenue Act(2)	312,874	309,859	(3,015)	-1.0%
Liquor Sales/Liter	8,308	8,338	30	0.4%
Cigarette	4,170	4,496	326	7.8%
Property (State School Levy)	244,783	244,693	(90)	-0.0%
Estate	8,152	10,700	2,548	31.2%
Real Estate Excise	39,073	35,289	(3,784)	-9.7%
Timber (state share)	0	0	0	NA
Other	8,387	6,343	(2,044)	-24.4%
Department of Licensing (2)	624	687	63	10.1%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$975,180	\$971,649	(\$3,531)	-0.4%
Cumulative Variance Since the November Forecast (Nov. 11, 2003 - January 10, 2004)				
Department of Revenue-Total	\$2,144,187	2,124,459	(19,728)	-0.9%
Revenue Act** (3)	1,339,029	1,316,626	(22,403)	-1.7%
Non-Revenue Act(4)	805,158	807,834	2,676	0.3%
Liquor Sales/Liter	16,024	16,786	762	4.8%
Cigarette	8,089	7,847	(242)	-3.0%
Property (State School Levy)	630,967	629,217	(1,750)	-0.3%
Estate	19,578	23,715	4,137	21.1%
Real Estate Excise	88,771	88,794	22	0.0%
Timber (state share)	2,237	2,151	(86)	-3.9%
Other	39,492	39,324	(168)	-0.4%
Department of Licensing (4)	1,158	1,149	(9)	-0.8%
Lottery (5)	0	0	0	NA
Total General Fund-State***	\$2,145,345	\$2,125,608	(\$19,736)	-0.9%

1 Collections December 11 - January 10, 2004. Collections primarily reflect November 2003 activity of monthly taxpayers.

2 December 1-31, 2003 collections.

3 Cumulative collections, estimates and variance since the November 2003 forecast; (November 11 - January 10, 2004) and revisions to history.

4 Cumulative collections, estimates and variance since the November forecast; (November & December 2003) and revisions to history.

5 Lottery transfers to the General Fund

* Based on the November 2003 economic and revenue forecast.

**The Revenue Act consists of the retail sales, B&O, use, public utility, tobacco products taxes, and penalty and interest.

*** Detail may not add due to rounding. The General Fund-State total in this report includes only collections from larger state agencies: the Department of Revenue and the Department of Licensing.

TABLE 2
December 10, 2003 Collection Report - Revised Data
Thousands of Dollars

<u>Period/Source</u>	<u>Collections</u>		<u>Difference</u>	
	<u>Preliminary</u>	<u>Revised</u>	<u>Amount</u>	<u>Percent</u>
November 11-December 10, 2003				
Department of Revenue-Total	\$1,153,595	\$1,153,598	\$3	0.0%
Revenue Act (1)	655,624	655,623	(1)	-0.0%
Non-Revenue Act(2)	497,971	497,974	3	0.0%
Liquor Sales/Liter	8,447	8,447	0	0.0%
Cigarette	3,351	3,351	0	0.0%
Property (State School Levy)-net	384,523	384,523	0	0.0%
Property tax collections	384,523	384,523	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	13,015	13,015	0	0.0%
Real Estate Excise	53,505	53,505	0	0.0%
Timber (state share)	2,151	2,151	(0)	NA
Other	32,977	32,981	4	0.0%
Department of Licensing (2)	475	471	(4)	-0.8%
Lottery (2)	0	0	0	NA
Total General Fund-State***	\$1,154,070	1,154,069	(\$1)	-0.0%

Cumulative Receipts: November 11 - December 10, 2003 & Revisions to History

Department of Revenue-Total	1,153,593	\$1,153,498	(\$95)	-0.0%
Revenue Act (3)	655,624	655,523	(101)	-0.0%
Non-Revenue Act(4)	497,971	497,974	3	0.0%
Liquor Sales/Liter	8,447	8,447	0	0.0%
Cigarette	3,351	3,351	0	0.0%
Property (State School Levy)-net after transfer	384,523	384,523	0	0.0%
Property tax collections	384,523	384,523	0	0.0%
transfer to the Student Achievement Acct.	0	0	0	NA
Estate	13,015	13,015	0	0.0%
Real Estate Excise	53,505	53,505	0	0.0%
Timber (state share)	2,151	2,151	(0)	NA
Other	32,977	32,981	4	0.0%
Department of Licensing (4)	466	462	(4)	-0.9%
Lottery (4)	0	0	0	NA
Total General Fund-State***	\$1,154,061	\$1,153,960	(\$101)	-0.0%

Preliminary. Reported in the December 10, 2003 collection report.

1 Collections November 11 - December 10, 2003. Collections primarily reflect October 2003 business activity of monthly taxpayers.

2 November 1-30, 2003 collections.

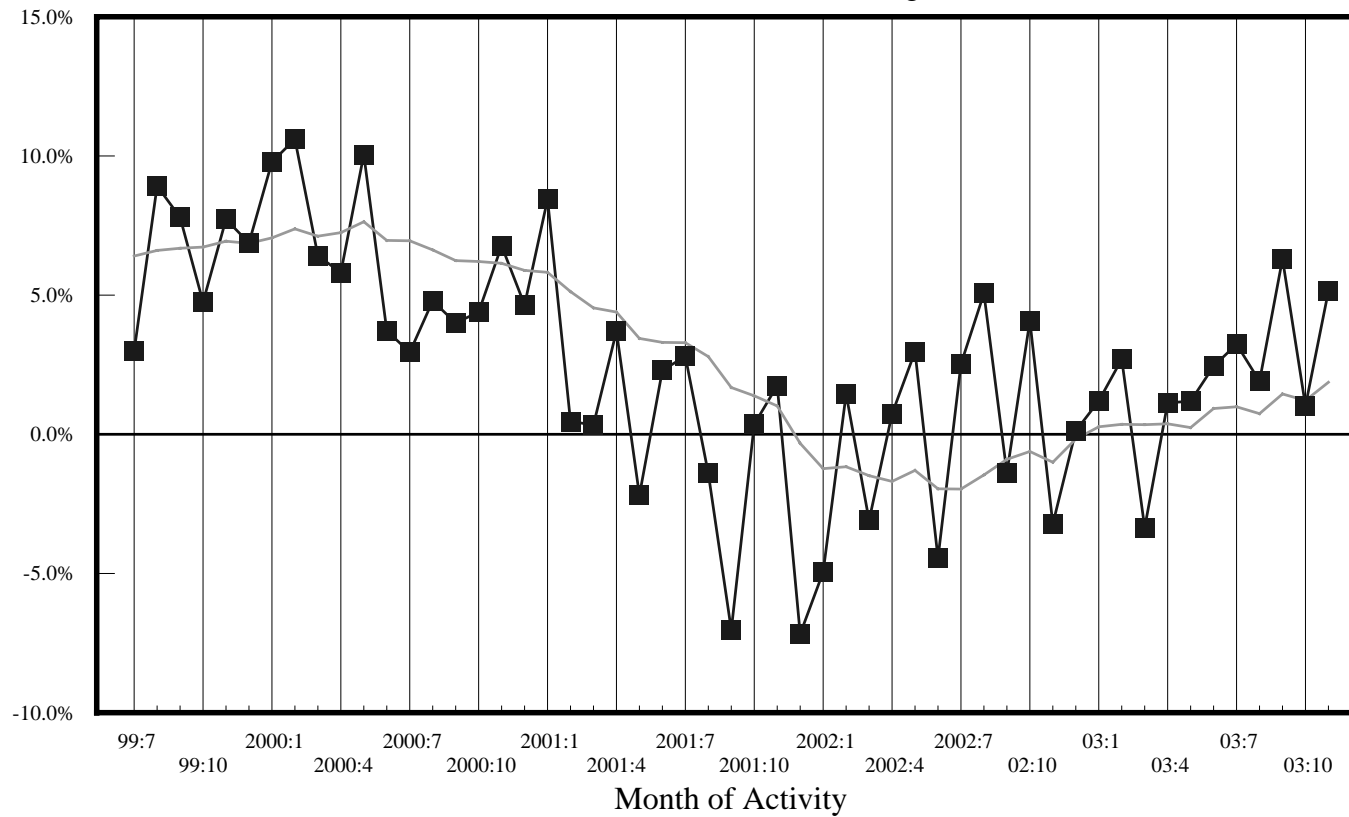
3 Cumulative receipts since the November 2003 forecast: November 11- December 10,2003 & revisions to history.

4 Cumulative receipts since the November 2003 forecast (November 2003) & revisions to history.

* Revenue consists of the retail sales, B&O, use, public utility and tobacco products taxes, and penalty and interest payments for these taxes.

Revenue Act Net Collections*

Year-over-Year Percent Change



■ %CH from year-ago month

— %change: 12 month moving average

*Adjusted for special factors